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Comptroller

Finance Division

Machine Bookkeeping

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11 August 1951

1. As a result of considerable discussions with Mr. [REDACTED] by members of the Finance Division, it has been mutually agreed that by reasons of the great volume of accounts, vouchers, and analytical statistics required in accounting for confidential funds, there exists an urgent need for mechanized accounting to properly and efficiently record, balance, and report the unvouchered financial activities of the Agency.

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2. During the last 2½ years the volume of bookkeeping has increased at a tremendous rate due mostly to the growth of CIA, together with more statistical detail required by operations, the assumption of divisions formerly handled by the Special Services Division, and the rapid and continuing expansion of OPC and its operations. To illustrate this growth in terms of bookkeeping the following statistics are submitted:

	<u>June 1951</u>	<u>Sept. 1948</u>
Vouchers processed	2,750	594
Journal entries made	18,000	3,000
Number of accounts	[REDACTED]	[REDACTED]
Checks drawn	4,200	1,040

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3. It is to be noted that with the present by-hand method of pen and ink books, approximately ten of the normal twenty-one working days in a month are required to balance books and prepare reports. This is not due to inefficient work, since it must be recognized that such volume of postings cannot be made by hand without some errors. The trouble lies primarily in the number of ways errors may occur in any of the [REDACTED] accounts or 2,750 vouchers. In footing so many accounts with twelve object classifications each, the physical work may take six people three to four days.

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4. By-hand pen and ink bookkeeping has its merits in small organizations and for flexibility to changing methods. However, it is felt that the pattern of confidential funds bookkeeping has been established and the volume of work is so great that the by-hand posting no longer serves its purpose.

5. Accordingly, it is recommended that a complete swing over to acceptable machine methods be adopted for the bookkeeping function of the Finance Division. To effect this change it is estimated that the following personnel, equipment, and accessories must be obtained:

- (a) 4 National Cash Register Accounting Machines,
Model #31-10-10 (18) 20" item #54-M-250
(one of these machines is presently on order)
- (b) 2 IBM Key punch machines

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2 CONFIDENTIAL

- (c) 4 Machine operators
- (d) Appropriate desks and chairs applicable to the machines, card trays and dividers
- (e) Appropriate forms to be devised for maximum utilization of machines
- (f) Additional space to provide orderly and efficient operations.

6. The following proposed procedure is submitted which, it is believed, will effectively implement and maintain adequate accounts, statistics, control, and balances at the same time enabling ready information for Agency reports and auditing:

- (a) A numbered posting voucher will be prepared for each individual transaction effecting the books of account whether as a cash or check payment or a non-cash journal entry.
- (b) The vouchers will be posted on a National Cash Register machine to appropriate journals. The journals will serve as a voucher register to account for each numbered voucher, a check register, a book of original entry and a source of summary posting to the General Ledger.
- (c) After journalizing, the vouchers will be sorted by entries appearing thereon to appropriate advances, expenses or other subsidiary ledgers.

(1) On a National Cash Register machine, advances will be posted to subsidiaries of the respective general ledger control accounts. The advance account will contain a fly-leaf carbonated statement which may be detached periodically and made available to the advancee for his information and follow through to insure prompt accounting and/or refund of unsettled balances. All current postings to the advances subsidiary will be balanced to the corresponding block of vouchers posted to the journals. The National Cash Register machine will pick up old balances for each account posting and automatically show new balance of account. Accordingly, it should only be necessary to run a trial balance of the advances and prove to the general ledger control at the end of the month if current postings are balanced by blocks and old balance pick-ups are correct.

(2) Other Receivables and Payables subsidiaries may be handled, posted, and balanced in the same manner as advances; see 6.(c)(1).

(3) In order to expedite the current postings for accounting for funds and at the same time have provision for maintaining appropriate statistical

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information primarily for reporting purposes, it is proposed that both National Cash Register Accounting machines and IBM machines be utilized on allotment accounts. An account will be maintained for each allotment of OSO, OPC, and other offices to which will be posted, by National Cash Register Accounting machine, the vouchers in blocks, as journalized. The allotment account will contain columns for allotments, expenses, and unexpended balance of the allotment. Each entry from a voucher will be the total expense to a single allotment without regard to further functional or objective classification breakdowns. After posting and balancing vouchers to basic accounting records by National Cash Register machines, the vouchers will be given to an IBM key punch operator located in the Finance Division, Accounts Branch, who will punch cards for the further statistical data contained on each voucher; i.e. specifically, the acceptable objective classifications, OSO field station projects, FRC action numbers, and any other pertinent information required. Periodically, as determined necessary either for balancing or reporting purposes, the IBM punched cards would be sorted, tabulated, and balanced to the accounting records both by specific allotment accounts and the general ledger control. Through the use of two machines and the separation of accounting records from statistical records, it is felt that speedier, more efficient current accounts can be maintained. Further, by having statistics punched by IBM, greater flexibility for reporting and considerable time saving can be effected.

7. It is anticipated that as greater familiarity, ability and experience is gained, additional benefits may be derived from these machines by recording estimated obligations, submission of reports within two days after close of an accounting period and IBM punching of additional statistics from the books of accounts, such as advances, cash analyses, etc.

8. It is requested that serious study and effort be directed toward implementing machine bookkeeping, since its benefits are unlimited.

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Acting Deputy Chief, Finance Division

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